



**Palestinian National Authority
General Prosecution**

Rule of Law Project

Financial Policies and Procedures Manual

Draft: July 2004

1. Introduction

The Financial Policies and Procedures Manual (the Manual) consists of all related financial policies and procedures aiming at clarifying the rules related to managing the financial affairs of the Attorney General and Prosecution. It finalizes principles and main policies as well as those procedures and instructions that manage financial resources. It provides auditing and control tools, which are important to any financial system in order to avoid mistakes and/or violations of the system. In addition, these tools allow decision makers to take corrective actions in the appropriate time span, thus minimizing problems.

This manual also sets the major principles for preparing financial reports and clarifies which departments and persons are responsible for preparing the reports, that provide (the base for managing financial operations. It provides the appropriate structure needed to control General Prosecution (GP) resources and use them properly, according to its operational plans.

This manual has been written to be compatible with the computerized financial and accounting environment of the Attorney General (AG). As a result, it considers the importance of the computerization of the financial system of the AG, due to its large operations and its role in the entire Palestinian judicial system.

Despite the independence of the Palestinian judicial system, its financial affairs should follow the approved laws and public policies and procedures that have been created to manage all government financial operations. Consequently, this manual's procedures and policies are derived from the Palestinian laws, policies, and regulations relating to the management of financial issues and the organization of the public budget.

All the forms that are used in the management of the AG financial affairs and that are referred to in this manual are those used and/or approved by the Palestinian Ministry of Finance MOF or developed by the AG's department of finance after the approval of the MOF.

1.1 Manual's Objectives

This manual aims at formalizing the principles that manage the process of creating, reviewing, approving, and recording all financial transactions within the AG's operations. Other main objectives of the manual are as follows:

- a) Determining financial and accounting policies and their implications on the AG's operations and activities.
- b) Developing the financial procedures that manage the financial operations of the AG and setting all related steps to implement these procedures.
- c) Managing the financial and accounting operations of the AG with clear and approved tools and procedures to ensure transparency.
- d) Providing decision makers with detailed and accurate financial information through the reporting mechanisms generated by the system.
- e) Directing all financial operations toward building a computerized financial system for the AG.
- f) Following specific forms that have been developed to maintain proper documentation of transactions according to the manual's procedures and policies.

1.2 Eligibility of the Manual

This manual is effective for all financial transactions and operations of the AG, including fixed assets, revenues, expenditures, payments, cash, budgeting, auditing, warehouses, procurements, and tenders.

It is also eligible for managing special projects either funded by external donors or through the public budget.

1.3 Manual's Circulation and Maintenance

This manual is not a confidential document, and it should be available to all AG employees. Moreover, managers should contribute to updating and improving this manual by providing the financial department with relevant recommendations for upgrading the manual and/or modifying some articles/sections with reference to any problems that develop during implementation. Consequently, the financial department should analyze and take these recommendations into consideration and communicate them to the Director General and Attorney General for approval and implementation, taking into account local laws and regulations.

2. Accounting System

The AG follows the International Accounting Standards (IAS) to manage all financial operations and transactions, and presents financial reports as approved by the Palestinian professional associations according to MOF regulations.

2.1 Accounting Policies and Principles

The AG follows the modified accrual basis for managing and recording all financial transactions. This includes all entries related to revenues, expenditures, assets, liabilities, grants, and others. A brief description of these policies is as follows:

2.1.1 Revenues

The recording of revenues in the financial system is upon recognition, regardless of the actual receipt of these revenues in the AG's accounts, providing the following two major conditions are met:

- a) It is possible to determine the value of the projected revenues.
- b) The expected revenues can be used for operations within the period in which they can be collected or within a specific time limit (three months) of the following period (year).

In case of unavailability of these two conditions, all revenues are recorded only upon receiving the cash. However, a record for all revenues of the period should be maintained regardless of the availability of these two conditions. In all cases, and for the purpose of managing cash revenues, the following principles and rules are followed:

- a) All revenues are collected only by authorized persons, according to their job description, or by those who have a written authorization from the director general to collect specific revenues.
- b) All receipts/vouchers should be generated through the computerized accounting system. Manual receipts are allowed until the computerization of the system is complete.
- c) All revenues are deposited in the AG's bank accounts, considering the closing of the cash account and preparing the reconciliation.

2.1.2 Expenses

All expenses are officially recorded upon recognition of these expenses, regardless of the actual payment, taking into consideration the following rules:

- a) Upon recognition of expenses, they are recorded as liabilities in the accounting system.
- b) All expenses are paid by check or bank transfer to the order of the beneficiaries. Small and specific expense items can be paid in cash. Cash payments may not exceed NIS 200.
- c) All expenses are distributed through defined cost centers. It is also permissible to distribute the expense into several cost centers.
- d) A Journal Voucher is generated by the system upon the posting of the expense. Payment vouchers are printed when paying the vouchers.

2.1.3 Grants

2.1.3.1 Cash Grants

Cash grants are recorded using cash basis accounting. These grants are to be recorded officially in the system upon receiving the cash in the bank account.

2.1.3.2 Non-Cash Grants

Non-cash grants or assets donated to the AG are recorded as grants in the fixed assets register in the system without a journal voucher.

2.1.4 Fixed Assets

All fixed assets are recorded at the actual cost. This actual cost includes all related costs such as shipping, land transportation, assembly, consulting fees, and any other costs. These fixed assets are registered as fixed assets expenses. A fixed assets register will be created and used by the AG to reflect the historical cost, book value, date of acquisition, and expected useful life. The following rules are followed:

- a) The AG estimates the value of currently used assets and records these assets in the fixed assets register according to the asset's historical cost and book value.
- b) Fixed assets are categorized according to usage and harmonization.

2.1.6 Currencies

The official currency of the AG is the NIS. All transactions in other currencies should be converted into NIS according to the ruling exchange rates at the date of the transaction. All assets and liabilities shall also be translated into NIS by the date of the financial position statement. Exchange differences are shown in the statement of activities as exchange rate gain or loss.

3. CASH AND BANK ACCOUNTS

3.1 Petty Cash Account

3.1.1 Public Policy

The AG uses the petty cash accounts in its offices to cover small and frequent expenses. A manager of the petty cash account is designated in each location. He/she is responsible for managing and reporting petty cash operations, and communicating these reports to the accounting division. The accounting division is responsible for auditing and controlling all petty cash in all locations as well as providing the cashiers with all related policies and instructions for managing the petty cash account.

3.1.2 Financial Policies

The accounting division receives all petty cash reports and enters the accounting transactions into the system. For proper management and control of the petty cash accounts, specific financial policies should be followed by the cashiers and departments/offices. These policies are:

- a) The financial department is required to determine the ceiling of the petty cash account for each location according to its size and needs.
- b) Payments from petty cash should not exceed NIS 200 at a maximum. The financial department determines a ceiling for each petty cash account. It is not allowed in any case to divide a single payment exceeding NIS 200 into smaller amounts in order to pay it from the petty cash account.
- c) The petty cash amount is paid to the responsible person as a personal debit. It should not be a refund unless all official documents are provided according to the financial procedures of this manual.
- d) The petty cash is refunded/renewed when the available amount reaches 25% of the ceiling of the particular petty cash account.
- e) No payments can be made from petty cash without invoices. However, if these invoices are not provided for specific services, the service provider must sign the payment voucher.
- f) Any unjustified differences of the petty cash account are paid by the petty cash cashier.
- g) The accounting division is responsible for reviewing the petty cash account upon refund request; additionally a surprise check is to be done frequently. It is also responsible for filing the signed documents of the petty cash account.
- h) All payments from petty cash must be documented and indicated by payment authorization and receipt voucher. No one is allowed to pay any amount without written approval.
- i) The financial manager at the AG's office and the chief clerk of the GP offices approve payments.
- j) If it is critical to pay an amount more than NIS 200, the payment can be made only after a written approval made by the director general.
- k) The financial department provides the cashiers with the list of items that can be paid from the petty cash.
- l) The cashiers are not allowed to prepare accounting transactions in the system.

- m) The cashiers must create a petty cash worksheet, with a password, to record all payments and generate reports.

3.1.3 Procedures

Responsible Person	Procedure
Financial Manager	1. Send a memo to the accountant to issue a check for a particular petty cash account.
Accounting Division	2. Prepare the check for the cashier. 3. Prepare a payment voucher with the following entry: <div style="margin-left: 40px;">Petty Cash xxx</div> <div style="margin-left: 40px;">Bank xxx</div>
Financial Manager	4. Send the check and the voucher to the financial manager.
Accounting Division	5. Review the check and the voucher, sign and transfer it into the system. The check is sent to the signatories for signing.
Petty Cash Cashier	6. Deliver the check to the petty cash cashier and ask him/her to sign the voucher.
	7. Cash the check and keep it in his/her box.
	8. Pay the invoices according to the approvals. For advanced payments, the employee must sign the approval for receiving the money and then must provide the original invoice.
	9. Review the invoice and get the change back if any.
	10. Prepare a cash payment voucher providing all related documents, sign the voucher and ask the employee to sign it as well.
	11. Record the payment in the petty cash statement.
	12. File the documents in a special file to be provided to the accounting department.
	13. When the petty cash reaches the refund point, print the statement, prepare a report, and request a refund from the accounting division.
Accounting Division	14. Review and sign the statement; transfer the expense into the system.
Financial Manager	15. Check the petty cash account and ensure reconciliation; approve refunding of the account.
Accounting Division	16. Prepare a payment voucher to renew the petty cash account.
	17. Repeat the above procedures to renew the account.
	18. File the payment vouchers accordingly.

3.2 Cash at Banks

3.2.1 Public Policy

The GP can keep bank accounts according to its need in different currencies. The following accounts are requested in order to facilitate the financial transactions and operations:

- a) A current account for revenues and expenditures.
- b) Bank accounts for special projects, if any.

3.2.2 Financial Policies

- a) Opening a new bank account is the responsibility of the AG and the director general. Opening new accounts is done through coordination with the MOF and according to its procedures.
- b) Special projects accounts are subject to signed agreements with donors and in coordination with MOF.
- c) The number of signatures needed on checks should not be less than two signatures. All checks are issued to the first beneficiary only.
- d) The accountant is responsible for keeping all checkbooks in a safe place.
- e) The financial manager is responsible for keeping a checkbooks' register, including the issued checkbooks and the slips of used books as well.
- f) Checkbooks are to be used serially. Only one checkbook is used at a time for the account.
- g) Bank reconciliation for each account should be prepared periodically. This period can be weekly or monthly, depending on the number of transactions.
- h) The bank reconciliations are to be prepared according to the professional form used by professional associations. This includes:
 - i. Name of bank and branch.
 - ii. Account number and type.
 - iii. Account code in the chart of accounts.
 - iv. Currency.
 - v. Date of preparation of the reconciliation.
 - vi. Date of reconciliation "Reconciliation as of (date)".
 - vii. Account balance as it appears in bank's statement of account.
 - viii. Account balance as it appears in the system.
 - ix. Reconciliation items.
 - x. Names and signature of persons who prepare, review, and approve the reconciliation.
- i) The reconciliation is prepared in the original currency of the account.
- j) Copies of the statement of account generated by the system must be attached to the reconciliation.
- k) The reconciliation must be prepared, even if the account balance is zero (assuming the bank account is not frozen), and even if the balance of the account at both the bank and the system is balanced.

- l) The accountant must ask the bank to provide the statements of account regularly.
- m) The person who prepares the bank reconciliation has no authority to transfer transactions related to banks into the system.

4. Fixed Assets

4.1 Public Policy

The GP follows a fixed asset management policy for registration, categorization, capitalization, disposal, and control over fixed assets. However, it is not required to depreciate fixed assets and transfer their expense into the system. This is replaced by the fixed assets register and control over disposal of any available assets.

4.2 Financial Policies

- a) Fixed assets of the GP are categorized as follows:
 - i. Buildings
 - ii. Furniture
 - iii. Equipment
 - iv. Computers and software
 - v. Cars
 - vi. Improvements of rented buildings
- b) The financial department is committed to this categorization. Any new category must be approved by the director general as recommended by the financial manager.
- c) The capitalization of fixed assets is subject to the following conditions:
 - i. The value of the fixed asset is more than US\$ 300 or the equivalent in other currencies.
 - ii. The expected life of the fixed asset is more than 12 months.
- d) Maintenance costs can be capitalized if they meet all of the following conditions:
 - i. The maintenance cost is 20% or more of the historical cost of the fixed asset.
 - ii. The maintenance increases the useful life of the asset for at least one year.
 - iii. The value of the maintenance cost is US\$ 250 or more.
 - iv. The maintenance is not caused by technical problems of the fixed asset.
- e) The value of fixed assets is calculated as the purchase value in addition to customs, nonrefundable taxes, and all direct cost related to the functioning of the fixed asset, such as transportation, assembly, consulting fees, etc.
- f) When acquiring a fixed asset, any discounts are subtracted from the original cost and registered in net value.
- g) All acquired fixed assets should be coded, and this code should appear on the fixed asset.
- h) The GP keeps a computerized register of available fixed assets at its offices. In addition, each GP office keeps a similar register for its own assets.
- i) The fixed assets register includes:
 - i. The code
 - ii. Description
 - iii. Date of acquisition
 - iv. Cost (historical and book value)
 - v. Supplier

vi. Location of the asset.

vii. Remarks

- j) Annual, documented physical checks of all fixed assets are required. The annual physical check is compared to the fixed assets register at the GP and kept at the accounting division.
- k) After the completion of the physical check process, the accounting division updates the fixed assets register by adding their own notes in the remarks column of the register.

5. Revenues

This section of the manual describes the main financial policies and procedures related to the revenues of the GP. As mentioned earlier in the policies section, revenues are recorded according to modified accrual basis.

5.1 Financial Policies

- a) The GP revenues from the MOF are officially registered upon receipt of the funds.
- b) Grants revenues are also registered upon receipt of the funds.
- c) Differentiation is required between all GP revenues and revenues of other parties (e.g. MOF) collected by the GP, such as case fees. These revenues should be registered as liabilities to the beneficiary. The accounting transaction is registered as follows:

Bank xxxxx

MOF xxxxx
- d) All revenues are subject to serial numbered receipts. The originals are given to the payee, and a copy is maintained for files.

6. Procurement

6.1 Public Policy

In its purchase activities, the GP follows the rules of the Public Supplies Law and the regulations approved by the MOF. The procedures mentioned in this manual are applied to purchases that do not need tenders; however, it is applicable to purchases made through the annual public tender of the MOF.

6.2 Financial Policies

1. No violations to Public Supplies Law Number 9, for the year 1998, are allowed.
2. The best interest of the GP should be considered when purchasing any supplies. There should be free competition rules between suppliers.
3. Professional ethics must be followed when procuring. It is forbidden for any purchasing committee members to receive gifts from suppliers. It is also forbidden for any employee to participate in such committees in those cases of vested interest, such as blood relationships with any of the suppliers or other parties.
4. The technical specifications of the supplies must be clearly stated prior to the purchasing process commencing.
5. It is important to ensure that the supplies are not already available in the departments' stores before making any purchase requests.
6. All department/GP offices must use the purchase request form submitted to the supplies department of the GP.
7. Responsibilities and authorities for purchasing supplies are implemented as mentioned in articles 12 & 13 of the Public Supplies Law Number 9, for the year 1998. Methods of purchasing are summarized in the following table:

Value of purchases	Method of purchasing
Up to US\$ 250 or equivalent in other currencies	Direct negotiation with vendors
From US\$ 251 to US\$ 5,000	Require at least three quotations from known suppliers
More than US\$ 5,000	See section 7 below

8. The purchase order cannot be divided into small amounts to fit into one of the methods mentioned above.
9. The supplies and purchasing department must keep a list of approved vendors to facilitate the purchasing process and update this list regularly.
10. Negotiating with vendors is done by the head of supplies department or under his/her direct supervision.
11. The negotiation method of purchasing must be documented by the person who purchased the supplies for auditing and control purposes.
12. Analysis of quotations is done by a committee consisting of:

- i. Head of Supplies department
- ii. Representative of the concerned department of the purchases
- iii. Representative of the financial directorate

13. Purchases are done through a purchase order form except for purchases through negotiation. The purchase order consists of an original and three copies issued by the supplies and purchasing department.

6.3 Financial Procedures

Responsible Person	Procedure
Concerned Department Manager	<ol style="list-style-type: none"> 1. Communicate with the Supplies and Purchasing Department to ensure the unavailability of the supplies in current stores. 2. If the supplies are out of stock, prepare a purchase request and submit it to the Supplies and Purchasing Department.
Supplies and Purchasing Department	<ol style="list-style-type: none"> 3. Review the purchase request and discuss it with the concerned department's manager, then check the sufficiency of the budget for such supplies. If it is allowed, approve the purchase request and obtain the approval of the financial manager. 4. If the value of purchase is less than US\$ 250, the head of the Supplies and Purchasing Department supervises and documents the process. 5. If the purchases value is more than US\$ 251, the Supplies and Purchasing Department asks approved vendors to provide quotations.
Purchasing Committee	<ol style="list-style-type: none"> 6. Analyze the quotations and decide on the appropriate offer, prepare a form and sign it.
Supplies and Purchasing Department	<ol style="list-style-type: none"> 7. Prepare a purchase order in original and three copies; send the original to vendor; send copies to the financial department and the concerned department; and keep the last copy in its own files. 8. Attach, with the financial department's copy, the quotations and the analysis of these quotations.
Accounting Division	<ol style="list-style-type: none"> 9. Prepare a journal voucher for the purchase order and print the voucher. 10. Check the whole document including: <ol style="list-style-type: none"> a) Invoice and value of the purchase order. b) The validity of the deduction of source certificate. c) The invoice containing the name and tax number of the supplier. d) The invoice is original. e) There is a match between prices in the invoice and in the quotation. f) The procurement has been done from the proper supplier according to the purchasing committee decision. 11. Attach the entry voucher to the documents and prepare a journal voucher; then transfer the whole document to the

Responsible Person	Procedure
	financial manager for approval and final transfer into the system.
	12. File the original copy of the journal voucher in its file

6.4 Payment Procedures

After the vendors supply the requested products and services, the GP must pay for these supplies. The following procedures are to be followed for dealing with payments:

Responsible Person	Procedure
Financial Manager	<ol style="list-style-type: none"> 1. In coordination with the accounting division, determine the recognized expenses that should be paid according to the availability of cash at the bank. Sign the applicable vouchers as approval for payment. 2. Transfer vouchers to the accounting division to retrieve documents for payments.
Accounting Division	<ol style="list-style-type: none"> 3. Prepare a list of vendors and value of each payment and refer it to the financial manager for review and approval. 4. Prepare a payment voucher debiting the supplier and credit the bank. 5. Prepare the checks and attach all related documents. Obtain the approval of the financial manager and send the checks to signatories. 6. Call suppliers to deliver checks and receive the receipt voucher; keep a copy of the checks in the files. 7. Stamp the document "PAID"

7. TENDERS

7.1 Public Policy

According to the Public Supplies Law Number 9 for the year 1998, the GP must use the public tendering system when procuring products/services of more than US \$ 5,000 in value. This is applicable to all kind of procurements except those items involved in the annual central tender that is done by the MOF. In this instance, the GP can order these items from the approved suppliers without going into the tendering process, taking into account the specifications and prices of the products mentioned in the MOF instructions.

7.2 Financial Policies

- a) In addition to following the Public Supplies Law number 9 for the year 1998, the GP should consider the Instructions Bulletin number 1 for the year 1999 issued by the Minister of Finance to provide more clarifications on the above-mentioned law.
- b) It is important to follow strict professional ethics when implementing the tendering process. No employee is allowed to participate in the tenders committee if vested interests are found. The AG is required to follow strict procedures in this regard.
- c) When preparing the tender documents, it is important to avoid typing mistakes and ambiguous language.
- d) When preparing the tender envelopes, the AG must inform the financial department of the total number of prepared envelopes to control the sale documents of the tender. The financial department should ensure that number of sold and unsold documents is equal to the original number.
- e) All tender papers should be stamped with the financial department stamp to avoid illegal participation in the tender. Any unstamped papers or copies of stamped papers should be disqualified.
- f) The prices of the tender document are considered as tender revenues; a receipt voucher should be prepared when receiving these revenues.
- g) Ad expenses incurred in announcing the tender should be handles as follows:
 - i. If the GP paid the ad expenses before awarding the tender, the expenses are recorded as returned expenses (current assets). The should be closed when the winning company pays back the expense.
 - ii. If the expenses were paid directly by the wining company to the media, no accounting transaction is recorded in the GP system.
- h) All participating companies are asked to pay the tender document price in the same currency to avoid any exchange rate losses.
- i) All warrantees should be received according to what has been written in the Pubic Supplies Law.
- j) Accounting records for the applied guarantees should include:
 - i. Tender's Participation Warrantees: If the time period from the opening of envelopes until the awarding of the tender is less or equal to one week, the warrantees do not get recorded in the system. The record should only be kept in the trust file if the committee is asked to prepare a list of all received guarantees.

If the period is more than a week, the financial department must record all the warrantees as follows:

Warrantees account xxxx

Warrantees trust xxxx

Where these accounts are part of the chart of accounts in the system, the registration should be recorded as a receipt voucher for the benefit of the payee. When returning the warrantee to the participant company, another accounting transaction must be entered in the system to cancel the first one. The payee must sign the journal voucher and return the receipt voucher, if available.

- ii. Consignments: when it is deemed necessary to insure acceptable delivery and execution of the participant companies' work, the amount must be recorded in the accounting system following the same transaction method as for warrantees, mentioned section (i) above.
- iii. Cash of the Consignments: If the suppliers fail to deliver the products/services according to the agreed conditions, the GP can cash the consignments. This must be recorded in the accounting system as follows:
 1. Record an entry to cancel the original transaction.
 2. Prepare a receipt voucher and record the amount of the consignment as revenue.
- iv. Cashing the consignment is not allowed without proving the failure of the supplier in the delivery conditions.

7.3 Financial Procedures

Responsible Person	Procedure
Accounting Division	<ol style="list-style-type: none"> 1. Check the registration and the legality of the company to participate in the tender. 2. If the company can participate legally, receive the price of the tender, and provide a receipt voucher.
Supplies and Purchasing Department	<ol style="list-style-type: none"> 3. Deliver the tender document after reviewing the receipt voucher and matching it with the tender number and name. 4. Create a list of participants, including name of the company, receipt voucher number, and date; and get the signature of the company's representative in the last column. 5. By the announced deadline, refer the list of participants and the unsold documents to the financial manager.
Financial Manager	<ol style="list-style-type: none"> 6. Ensure that the number of sold and unsold documents is equal to the prepared tender documents. 7. Review the receipt vouchers and amounts by entering them into the receipt vouchers page in the system. 8. Coordinate with the director general to dispose of the remaining tender documents or keep them into the later stages of the process.
The Envelopes Receiver Employee	<ol style="list-style-type: none"> 9. Receive the closed tender envelope; make sure it is sealed; stamp the envelope; record the date and time; and sign it. Ask the company's representative to place the envelope him/herself in the locked box especially available for tender documents.

Responsible Person	Procedure				
Tender Committee	<ol style="list-style-type: none"> 10. After the deadline for receiving tender envelopes, open the box and remove all the available envelopes. 11. Sign each envelope. This must be done by every member. 12. Open the envelopes and number each document. 13. Enter the following information into the tender opening register: <ol style="list-style-type: none"> a) Name and number of the tender. b) Name of donor (if any). c) Date and time of opening the tender. d) Names of the tender committee members. e) Names of participant companies and the value of each offer. f) The tender award or the committee's decision to refer the tender to a specialized technical committee. g) Date and time of closing the committee meeting. h) Members' signatures. 14. All participants should be added to the list, including disqualified companies. 15. Disqualification of participant companies is subject to one or more of the following conditions: <ol style="list-style-type: none"> a) If the entry warrantee is not available. b) If the offer is not clear or contains changes in numbers. c) If the offer does not meet the tender conditions. 16. The award decision is taken in the same meeting unless a special technical committee is needed for further analysis of the offers. The award committee meeting is scheduled at this time. 17. If the committee awards the tender, the decision is referred to the financial directorate. All entry warrantees are sent to accountant for return to the losing companies. 				
Accounting Division	<ol style="list-style-type: none"> 18. Call all losing companies to obtain the warrantees. 19. Obtain the signature of the company's representative on the warrantees' register for unrecorded warrantees. For recorded warrantees, the following transaction is needed to cancel the registration of the warrantee in the accounting system: <div style="margin-left: 40px;"> <table> <tr> <td>Warrantee trust</td><td>xxxx</td></tr> <tr> <td>Warrantees account</td><td>xxxx</td></tr> </table> </div> <p>The financial manager is responsible for reviewing the transaction and transferring it into the system.</p>	Warrantee trust	xxxx	Warrantees account	xxxx
Warrantee trust	xxxx				
Warrantees account	xxxx				

7.4 After Awarding Procedures

1. After awarding the tender, the award committee refers the following documents to both the financial and administrative departments:
 - a) The awarding decision (tender register).
 - b) The winning company offer.
2. The administrative manager prepares the contract with the supplier, including all the specifications for the products/services. A legal official reviews the contract before signing it.
3. If the tender is for supplying products, the Supplies and Purchasing Department receives the products upon delivery, according to the procedures defined in this manual.
4. If the tender is for delivering a service, the concerned department receives and evaluates the service according to the signed contract.

7.5 Cashing Consignments Procedure

Responsible Person	Procedure				
Concerned Department	1. Send a memo to the director general informing him/her of the violation of the contract.				
Director General	2. Authorize the financial manager to check the contract and verify the occurrence of the violation. 3. If the violation is verified, approve the memo and send it to the financial manager. 4. Ask for a request to the bank to cash the consignment and determine the bank account where the amount is to be deposited.				
Accounting Division	5. Cancel the registration of the consignment by another transaction as follows: <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Consignments trust</td><td>xxxx</td></tr> <tr> <td>Consignments account</td><td>xxxx</td></tr> </table>	Consignments trust	xxxx	Consignments account	xxxx
Consignments trust	xxxx				
Consignments account	xxxx				
Financial Manager	6. Review and transfer the transaction into the system. 7. Send the documents, including the bank letter, to the signatories to sign.				
Accounting Division	8. Send the letter to the bank and call for follow up. 9. After receiving the bank confirmation, prepare a receipt voucher and file it.				
Financial manager	10. Ensure the cash of the consignment and transfer the transaction into the system.				

8. WAREHOUSES (STORES) MANAGEMENT

This section of the handbook deals with the financial policies and procedures related to the following:

- Consumable supplies (stationary, files, entertainment staff etc.).
- Equipment and furniture.

8.1 Financial Policies

- a) The warehouses are managed through a Perpetual System. This means that any in/out movement of the inventory affects the warehouse balance immediately and not at the end of the period (as with a Periodic System).
- b) Each warehouse must be managed by a qualified warehouseperson who has a good background and is computer literate.
- c) Separating the following transactions should be taken into consideration:
 - i. Purchasing
 - ii. Receiving of inventory
 - iii. Storing inventory
 - iv. Inventory coding in the accounting system. Purchasing is implemented through the Supplies and Purchasing Division. Receiving supplies is by the special committee and storing is done by the warehouseperson.
- d) Managing the warehouse accounting is limited to quantities management. In this process the warehouseperson is delegated only to receive and deliver quantities.
- e) The inventory of the warehouses should be physically checked periodically by a committee initiated by the AG.
- f) All the purchases (fixed assets or other supplies) should pass through the warehouses. The records of the warehouses can be used as a control and monitoring tool for fixed assets and supplies.
- g) The director general forms a receiving committee consisting of the following members:
 - i. Warehouseperson
 - ii. Technical employee (especially for equipment and furniture)
 - iii. An employee from the financial department
- h) Consumable supplies (those do not need technical examination) may be received by the warehouseperson with no need for the committee in cases where the costs of the purchases are less than US\$ 500.
- i) If the purchase of consumable supplies cost more than US \$500, they must be received only by the initiating committee.
- j) The delivered supplies must be checked when they are received against quantities, specifications, quality, expiration date, if applicable, etc. The items must also be match with the purchase order/invoice.
- k) The purchases are recorded immediately by the warehouseperson in the accounting system, directly after the receiving process, by preparing an entry voucher.
- l) The warehouseperson should ensure the codes of each item identified in the accounting system before preparing the entry voucher.
- m) The warehouseperson keeps the supplies on shelves to facilitate reaching them when needed, and for physical check purposes.

- n) All supplies should be differentiated and identified to avoid mistakes by the warehouseperson. The identification should include the name and the model of the items, particularly with equipment and furniture.
- o) The supplies can only be released from the store by using a computerized releasing voucher.
- p) All supplies are released upon a special supply order issued by the Supplies and Purchasing Department. These orders should be serially numbered and consist of an original and two copies.
- q) Authorized signatories on the supplies orders are as follows:

Supplies	Signatories
Furniture and equipment	Director General and Supplies and Purchasing Department
Other materials	Financial Manager and Supplies and Purchasing Department

8.2 Financial Procedures

8.2.1 Receiving Procedures

Responsible Person	Procedure
Receiving Committee	<ol style="list-style-type: none"> 1. Check the materials to ensure they match with invoices and purchase orders. Also check the technical qualifications. 2. After receiving the supplies, prepare a receiving report with two copies. One copy is given to the warehouseperson and the other to the financial department
Warehouseperson	<ol style="list-style-type: none"> 3. Prepare a computerized journal (entry) voucher of the received materials and transfer the voucher and file it. 4. Send the original invoice along with the voucher to the Accounting Division to follow up on accounting procedures and payments.
Financial Manager	<ol style="list-style-type: none"> 5. Randomly select samples of the vouchers and compare them to the purchasing orders and delivery vouchers to ensure the accuracy of the process.

8.2.2 Suppliers Delivery Procedures

Responsible Person	Procedure
Concerned Department/GP Office	1. Fill the supplies request form after determining the needed materials and quantities. Send request form to the signatories to be signed officially.
Warehouseperson	2. Remove the supplies according to the request and deliver the materials to the requesting department; prepare a delivery voucher; and ask the department representative to sign the voucher. 3. Send a copy of the delivery voucher and supplies request form to the accounting division for follow up and recording.
Accounting Division	4. Ensure the following: <ul style="list-style-type: none"> - The supplies request form is signed as appropriate. - The department signed the delivery voucher. - The voucher matches with the request form. 5. Prepare the journal voucher as follows: <div style="margin-left: 40px;"> Supplies expenses (details) xxxx Warehouses xxx </div>

9. Budgeting

Budgets are considered one of the main tools for planning and monitoring processes because they state the best use of the resources. They also schedule the use of these resources to achieve the objectives of the GP.

This section of the manual covers the financial policies and procedures related to preparing the following kinds of budgets:

- The public budget of the GP
- Monthly Cash budgets

9.1 GP Public Budget

9.1.1 Financial Policies

The AG will form a budgeting committee that is responsible for preparing the public budget. The following are the suggested members of the committee:

- Director general (head of the committee)
 - Financial manager (coordinator of the committee)
 - Head of the budget division
 - The administrative manager
- a) The budgeting committee submits its reports directly to the AG.
 - b) The regulations of the MOF should be followed concerning the preparation of the budget.
 - c) The budgeting committee instructs the GP offices about preparing the budget through direct instructions and time frames using required forms, in addition to providing any needed technical assistance.
 - d) All the parties involved in preparing the annual budget must commit to the deadlines set, and they are responsible for finishing the work within the scheduled time.
 - e) Chief prosecutors and chief clerks are responsible for preparing the annual budgets for the GP offices according to the instructions of the committee. The budget is prepared in conformity with the actual statement of activities for past years as well as any planned activities for the coming years.
 - f) For the purpose of preparing the public budget, the fiscal year is considered a whole year that begins on January 1st and ends on December 31st of the same year.
 - g) The budgeting committee in the GP is responsible for collecting the data of the council and the GP offices. It should analyze and consolidate all the data to prepare the final report of the budget and communicate the process to the MOF.
 - h) After the approval of the public budget, it is referred to the accounting system of the GP for controlling expenditures throughout the year.
 - i) Computerizing the budget assists in preventing the budget from being exceeded. The exception is if there is approval by a specified person using a password that allows deviations.

- j) All interested bodies should be committed to the budget and monitor the items of the budget regularly.
- k) The budget department is responsible for monitoring the budget and the performance of the GP offices and departments of the GP.

9.1.2 Budget Preparation Procedures

Responsible Person	Procedure
Budgeting committee	<ol style="list-style-type: none"> 1. Ask the concerned departments and GP offices to prepare a list of their needs for the coming year. 2. Analyze the provided data and discuss it with the various departments/GP offices, managers and the GP for modifications and improvements. 3. Use specialized personnel in the GP to provide assistance in preparing the budget as required by the MOF. 4. Sign the prepared budget and submit it to the AG. 5. Discuss the budget with the AG and assistants. 6. After the budget is approved, send it to the MOF, along with an official letter signed by the AG. 7. Follow up on any questions or discussions with the MOF on the budget and provide any further needed information.

9.2 Cash Budgets

The preparation of cash budgets is among the main financial tasks. In essence, it is the actual interpretation of the public budget. The success of the cash budget depends mainly on the skills and experience of those who prepare it. On the other hand, it also depends on the assumptions on which it is based.

9.2.1 Financial Policies

- a) Cash budgets should be prepared on a monthly basis. The 3rd day of the month is the deadline.
- b) The financial manager and the head of budget division are the key persons for preparing the monthly cash budgets.
- c) There should be complete commitment to the cash budget by all departments and GP offices. In cases of deviation, the director general is responsible for making decisions or corrective actions in coordination and cooperation with his/her staff (the financial manager, and heads of divisions).
- d) The assumptions and estimations, while preparing the cash budget, should take into consideration the surrounding circumstances.
- e) The estimations and circumstances of each month should function as indicators when preparing the budget of the next month.

9.2.2 Cash Budgets Preparation Procedures

Responsible Person	Procedure
Financial Manager and head of Budget Division	<ol style="list-style-type: none">1. Check the actual available cash in the GP bank accounts.2. Prepare a list of the expected revenues during the month.3. Prepare a list of the expected payments during the month.4. Prepare the cash budget and refer it to the director general.
Director General	<ol style="list-style-type: none">5. Discuss the budget with the team to examine the accuracy of estimations and assumptions before approving it.
Financial Manager	<ol style="list-style-type: none">6. Distribute the cash budget among the interested personnel for implementation.

10. Financial Reports

This section of the manual describes the basis for preparing the financial reports of the GP. The stated policies in this section aim to:

- Ensure that the financial reports are prepared according to the governmental accounting system and that they meet the various administrative requirements of the GP.
- Ensure that the financial reports are precisely prepared within the scheduled time frame.
- Ensure that the financial reports illustrate the activities and achievements of the GP and the GP offices.

In addition, this section includes an analysis of the information that was presented in other sections of the manual. These is required because financial reports were discussed in other sections of this manual, and reflect on the implementation of this section.

10.1 The Required Financial Reports

The following table illustrates the required financial reports:

No.	Report	Timing	Prepared by	Revised by	Notes
1	Annual Budget	Annual	Budgeting Committee	AG	Explained in the budgeting section
2	Bank Reconciliations	Weekly / Monthly	Accounting Division	Financial Manager	Explained in the cash and bank accounts section
3	Cash Budget	Monthly	Financial Manager	Director General	Explained in the budgeting section
4	Trial Balance	Monthly	Financial Manager	Director General	Generated by the computerized system. Can be printed out at any time.
5	Statement of Financial Position	Monthly	Financial Manager	Director General	Generated by the computerized system. Can be printed out at any time.
6	Statement of Activities	Monthly	Financial Manager	Director General	Generated by the computerized system. Can be printed out at any time.
7	Statement of Cash Flow	Monthly	Financial Manager	Director General	Generated by the computerized system. Can be printed out at any time.
8	Cash Accounts Statements	Monthly	Accounting Division	Financial Manager	Professional forms

11. INTERNAL AUDITING

The purpose of internal auditing is to ensure the accurate implementation of the financial and administrative regulations, policies, and procedures. However, it should be noted that the internal auditing process is not part of the accounting procedures. Internal auditing doesn't aim to examine the documents but to ensure the application of the financial policies as they were stated in this manual.

11.1 Financial Policies

- a) The internal auditing unit should be initiated in the GP and be an independent department separated from the financial directorate. It is part of the central internal directorate of the MOF.
- b) The GP's departments and offices are subject to frequent audit by the internal auditing unit.
- c) The auditing unit submits its reports to the AG and the central internal auditing directorate of the MOF.
- d) The employees of this unit should possess the professional skills and appropriate knowledge of the financial and policy issues of the GP.
- e) The internal audit should include all the financial policies of the GP and the GP offices.
- f) The internal audit should be based on a methodology according to a prepared plan with clear auditing programs and clear objectives.
- g) The plan and reports of the internal auditing unit are coordinated with the central auditing directorate of the MOF.
- h) The auditing unit should work precisely and examine the issues before reporting, and provide the means for discussing these reports with the concerned departments and GP offices before submitting them.
- i) The internal auditing unit is not authorized to instruct any department of the GP or the GP offices. Its mission is limited to ensuring the precise application of financial policies. At the same time, it is responsible for dealing with any deviations on this level.
- j) The reports issued by the internal auditing unit are confidential. Only authorized persons can review these reports.
- k) Auditing programs should be based on applied financial policies which are those mentioned in this manual; or based on any other policies that may be approved in future.

11.2 Financial Procedures

Responsible Person	Procedure
Head of the internal auditing unit	<ol style="list-style-type: none"> 1. Launch the work plan and internal auditing program and present it to the head of the central internal auditing directorate at the MOF. 2. Discuss the plan with the unit staff and distribute work among them.
Internal auditing unit	<ol style="list-style-type: none"> 3. Coordinate with the direct manager of the department subject to auditing in order to facilitate their work. 4. Conduct auditing through observation as well as by reviewing the documents and files. 5. In cases there are any violations, address the manager of the department to obtain explanations after giving the manager adequate time to answer questions. 6. Prepare the auditing report concerning any financial process and sign it officially. 7. Present their reports to the head of the auditing unit who discusses the report with them and obtains their explanations before submitting the final report. 8. Submit the final report to the head of the central internal auditing directorate of the MOF.
MOF	<ol style="list-style-type: none"> 9. Present the report to the AG, with recommendations to deal with any violations, as well as recommendations to improve the financial system and the internal auditing system.
AG	<ol style="list-style-type: none"> 10. Instruct the authorized bodies to discuss the report and take corrective actions.